TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 1977 - HB 2015

March 10, 2020

SUMMARY OF BILL: Allocates one percent of the state sales and use tax to eligible counties and municipalities, as defined in the proposed legislation, for the purpose of funding economic development and infrastructure projects. Requires one percent of such amount to be deposited into the state General Fund to defray the costs of administration.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – $12,500,000/FY20-21
$25,000,000/FY21-22 and Subsequent Years

Increase State Expenditures -- $60,500/FY20-21
$55,300/FY21-22 and Subsequent Years

Increase Local Revenue – $12,500,000/FY20-21/Permissive
$25,000,000/FY21-22 and Subsequent Years/Permissive

Assumptions:

- The proposed legislation requires an amount of state sales and use tax revenue derived from one percent of the state sales and use tax rate imposed pursuant to Tenn. Code Ann. § 67-6-202 on all sales in a special district to be allocated to an eligible county or municipality in a special district that has adopted a resolution or ordinance accepting the apportionment and that meets all other established requirements for the purpose of funding economic development and infrastructure projects.
- This special allocation will not apply to revenue derived from the increases in the sales tax rate from 5.5 percent to 7.0 percent. It is further assumed that the allocation will not apply to sales tax collections derived from cable TV, interstate telecommunication sales, prepaid wireless, additional single article sales tax, transportation equity, and E911 fees.
- According to analysis by the Department of Economic and Community Development, 85 of 95 counties would be eligible for receiving funds under this program.
- Based on historical state sales tax collections generated within such counties, the Fiscal Review Committee's staff estimates of sales tax collections, and accounting for the one percent allocation to the General Fund to offset the costs of administering this part, the proposed legislation would result in reallocation of approximately $25,000,000 in state revenue to the local government, if all eligible localities elected to participate.

- Since the proposed legislation provides significant benefits to local governments, it is reasonably assumed that all such entities will elect to participate. However, the first year impact (FY20-21) is estimated to be 50 percent of the full year impact, or $12,500,000.
- Due to the complexity and the number of eligible areas, the Department of Revenue will require an additional Accountant position to accomplish the requirements of the proposed legislation. The recurring increase in state expenditures associated with such position are estimated to be $55,328 ($38,472 salary + $12,956 benefits + $3,900 other). The one-time increase in state expenditures associated with the position is estimated to be $5,150.
- The total increase in state expenditures for the Department is estimated to be $60,478 ($55,328 + $5,150) in FY20-21 and $55,328 in FY21-22 and subsequent years.
- Such expenditures will be funded by the one percent allocation of the amount of the sales and use tax to be distributed pursuant to this act.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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